



Risk and Audit Committee Agenda Item 5d

November 14, 2018

Item Name: Quarterly Status Report – Office of Audit Services

Program: Audit Services

Item Type: Information Consent

Executive Summary

In accordance with the International Standards for the Professional Practice of Internal Auditing (Standards), the Office of Audit Services (OFAS) presents its Quarterly Status Report of audit activity. The following provides the status of projects and activities as of September 30, 2018.

Strategic Plan

This item is not a specific product of the Strategic Plan, but is required by the Board of Administration (Board) approved Audit Resolution Policy and OFAS Charter.

Background

On a quarterly basis, OFAS updates the Risk and Audit Committee (RAC) on audit activity and audit resolution status.

Analysis

Public Agency Reviews

During the first quarter, OFAS completed 64 reviews and is waiting for executive feedback to issue the final reports. Currently, 62 reviews are in progress.

The Employer Account Management Division, the Benefit Services Division, and the Financial Office reported that 32 findings were resolved, leaving 49 findings open as of September 30, 2018. In addition, OFAS validated 98 resolved findings during the quarter. Please refer to Attachment 1 for additional information on the public agency findings.

Internal Audits

During the first quarter, seven internal audits were issued with a total of 17 findings in operational areas relating to procedures, completion of required forms, and training.

As of September 30, 2018, there were no unresolved internal audit findings over one year old, continuing the enterprise's compliance with the Board approved Audit Resolution Policy. During the quarter, nine findings were resolved, leaving 31 findings open. Please see Attachment 1 for additional information on internal audit findings.

Real Estate Reviews

During the first quarter, two infrastructure reviews were completed. The reviews were performed to assess the Manager's compliance with investment policies and specific provisions of the operating agreements which resulted three issues related to vendor contract management and lack of document retention. Please see Attachment 1 for additional information on real estate audit findings.

Financial Statement Audit Report and Management Letter

The Board's financial statement auditor presented their Management Letter for the June 30, 2017 financial statement audit at the November 2017 Risk and Audit Committee. The financial statement auditor reported on three observations which require corrective actions. The current year observations and their status are summarized in Attachment 2. The summarized status of prior years' observations are in Attachment 3.

Status of Audit Plan

The Fiscal Year 2018-19 Approved Audit Plan is in progress. As required by the Standards, we review and adjust the audit plan, as necessary, in response to changes in the organization's business, roles, operations, programs, systems, and controls.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The Quarterly Status Report of audit activity provides periodic reporting to the Board regarding performance relative to the audit plan and other matters needed or requested. The periodic reporting of this information to the Board is in accordance with the Standards, the Board approved Audit Resolution Policy, and OFAS Charter. The risk of not reporting periodically is non-compliance with the Standards.

Attachments

Attachment 1 – Status of Audit Findings Dashboard

Attachment 2 – Summary of Financial Statement Audit Management Letter Comments Current Year Report

Attachment 3 – Summary of Financial Statement Audit Management Letter Comments Prior Year Report

Beliz Chappuie
Chief Auditor
Office of Audit Services

Matthew G. Jacobs
General Counsel